

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE BLUE GRASS RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	
NECESSITY TO EXECUTE ITS NOTE TO THE)	
UNITED STATES OF AMERICA IN THE AMOUNT)	CASE NO.
OF \$2,933,000 AND TO EXECUTE ITS NOTE TO)	95-222
NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION IN THE AMOUNT OF)	
\$1,257,000, EXECUTION OF A RESTATED)	
MORTGAGE AND SECURITY AGREEMENT AND A)	
LOAN AGREEMENT)	

O R D E R

Blue Grass Rural Electric Cooperative Corporation ("Blue Grass") filed its application on June 19, 1995 for approval to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute its notes for such loan. The proceeds of this loan will finance Blue Grass's 1994-1995 Work Plan.¹ This Work Plan calls for improvements and additions described in the application, and are estimated to cost \$4,190,000 and are financed by a \$2,933,000 loan from the Rural Utilities Service ("RUS") and the \$1,257,000 loan from CFC.

Blue Grass filed a copy of correspondence received from RUS and CFC approving the loans.

¹ Blue Grass received a Certificate of Public Convenience and Necessity for the 1994-1995 Work Plan in Case No. 95-020, The Application of Blue Grass Rural Electric Cooperative, Inc. for an Order Issuing a Certificate of Public Convenience and Necessity, Order dated June 9, 1995.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Blue Grass, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

2. Blue Grass is capable of executing its notes as security for the loan as stated herein.

3. Blue Grass should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Blue Grass should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Blue Grass's application.

6. Blue Grass should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and

as the RUS is an agency of the federal government, no action on Blue Grass's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Blue Grass be and it hereby is authorized to borrow \$1,257,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Blue Grass at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

2. Blue Grass be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Blue Grass shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

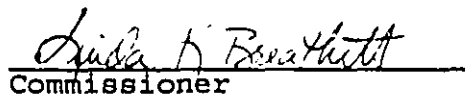
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 25th day of July, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director